

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

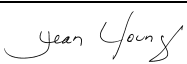
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Owosso Downtown Development Authority

**Financial Report
with Supplemental Information
June 30, 2006**

plante

moran

Owosso Downtown Development Authority

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Independent Auditor's Report

To the Board
Owosso Downtown Development Authority

We have audited the accompanying basic financial statements of the Owosso Downtown Development Authority (a component unit of the City of Owosso, Michigan) as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Owosso Downtown Development Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Owosso Downtown Development Authority as of June 30, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the budgetary comparison schedule, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying basic financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Plante & Moran, PLLC

November 21, 2006

Owosso Downtown Development Authority

Balance Sheet - Statement of Net Assets June 30, 2006

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Assets - Full Accrual
Assets			
Cash and cash equivalents (Note 4)	\$ 5,364	\$ -	\$ 5,364
Accounts receivable	<u>103,490</u>	<u>-</u>	<u>103,490</u>
Total assets	<u>\$ 108,854</u>	-	108,854
Liabilities			
Liabilities - Accounts payable	\$ 9	-	9
Due to other governmental units	<u>99,497</u>	<u>-</u>	<u>99,497</u>
Total liabilities	99,506	-	<u>99,506</u>
Fund Balance - Unreserved	<u>9,348</u>	<u>(9,348)</u>	
Total liabilities and fund balance	<u>\$ 108,854</u>		
Net Assets - Unrestricted		<u>\$ 9,348</u>	<u>\$ 9,348</u>

Owosso Downtown Development Authority

Statement of Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities Year Ended June 30, 2006

	Revenues and Expenditures - Modified Accrual		Statement of Activities - Full Accrual
		Adjustments	
Revenue			
Property taxes:			
Ad valorem tax levy	\$ 31,156	\$ -	\$ 31,156
Tax increment capture	419,748	-	419,748
Interest	91	-	91
Other	420	-	420
Total revenue	451,415	-	451,415
Expenditures			
Professional services	4,355	-	4,355
Operating supplies and other	13,931	-	13,931
Contractual services	33,398	-	33,398
Advertising	2,579	-	2,579
Capital outlay	144,237	-	144,237
Contribution to the City of Owosso's Debt Service Fund (Note 5)	259,856	-	259,856
Total expenditures	458,356	-	458,356
Change in Fund Balance/Net Assets	(6,941)	-	(6,941)
Fund Balance/Net Assets			
Beginning of year	16,289	-	16,289
End of year	<u>\$ 9,348</u>	<u>\$ -</u>	<u>\$ 9,348</u>

Owosso Downtown Development Authority

Notes to Financial Statements June 30, 2006

Note 1 - Organization

The Owosso Downtown Development Authority (The "Authority") was created, effective July 19, 1977, by Ordinance No. 331 of the City of Owosso, Michigan pursuant to Act. No. 197 of the Public Acts of 1975 of the State of Michigan. The Authority may levy an ad valorem tax, not exceeding two (2) mills, on all taxable property in the downtown district. The tax is used for operations of the Authority and planning of improvements in the downtown district. In addition, the Authority may capture the tax levy resulting from any increase in assessed values within the downtown district to be used to finance the development of the downtown area. The Authority's governing body, which consists of nine individuals, is selected by the City Council.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to local governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Owosso Downtown Development Authority is a component unit of the City of Owosso, Michigan. Its basic financial statements are included in the City's basic financial statements because the majority of the governing body is appointed by the City.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenue and expenditures are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Authority uses the modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

In addition to presenting information on the modified accrual basis, the financial statements present information for the Authority using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Owosso Downtown Development Authority

Notes to Financial Statements
June 30, 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

Property Taxes - Ad valorem property taxes are levied and collected by the City of Owosso, Michigan as a part of, but in addition to, the regular city tax levy. The ad valorem tax in the special district is not to exceed 2 mills and can only be used for the operations of the Authority. In addition, the Authority has created a Tax Increment Financing District whereby the Authority captures all taxes collected in the district which result from the increase in the district's assessed value from its initial assessed value of 1984. The captured tax increment can only be used for the development of the downtown area.

The 2005 taxable valuation of the Authority totaled \$24.5 million (a portion of which is not captured from all jurisdictions), on which taxes levied consisted of 1.9623 mills for operating purposes. This resulted in \$450,904 for operating purposes. These amounts are recognized as property tax revenue.

Note 3 - Budget Information

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement is presented on an activity basis. A comparison of actual results of operations to the budget included in the basic financial statements shows line item activity, which is in greater detail than the actual budget as adopted by the City Council.

Note 4 - Cash and Cash Equivalents

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had deposits with a bank balance of \$5,364, of which all was covered by federal depository insurance.

Owosso Downtown Development Authority

Notes to Financial Statements June 30, 2006

Note 5 - Related Party Transactions

The contributions to the City of Owosso's Debt Service Fund of \$259,856 represent taxes captured from the Tax Increment Financing District and transferred to the City for the retirement of debt issued to finance the construction of parking lots.

Note 6 - Commitments

Under its pledge to the City, the Authority transfers amounts annually to pay the principal and interest on the City of Owosso general obligation bonds. The annual requirements to service these bonds as of June 30, 2006, including both principal and interest, are shown below:

	Governmental Activities		
	Principal	Interest	Total
2007	\$ 215,000	\$ 25,830	\$ 240,830
2008	110,000	17,688	127,688
2009	115,000	12,933	127,933
2010	115,000	7,930	122,930
2011	120,000	2,700	122,700
Total	<u>\$ 675,000</u>	<u>\$ 67,081</u>	<u>\$ 742,081</u>

Required Supplemental Information

Owosso Downtown Development Authority

Required Supplemental Information Budgetary Comparison Schedule Year Ended June 30, 2006

Current Year - Modified Accrual				
	Originally Adopted Budget	Amended Budget	Actual	Variance
Revenue				
Property taxes:				
Ad valorem tax levy	\$ 31,250	\$ 31,150	\$ 31,156	\$ 6
Tax increment capture	328,025	419,750	419,748	(2)
Interest	-	-	91	91
Other	-	400	420	20
Total revenue	359,275	451,300	451,415	115
Expenditures				
Professional services	4,600	5,625	4,355	1,270
Operating supplies and other	2,825	5,680	13,931	(8,251)
Contractual services	23,500	33,545	33,398	147
Advertising	325	1,900	2,579	(679)
Capital outlay	-	157,575	144,237	13,338
Contributions to the City of Owosso's Debt Service Fund	259,175	260,125	259,856	269
Total expenditures	290,425	464,450	458,356	6,094
Excess of Revenue Over (Under) Expenditures	68,850	(13,150)	(6,941)	6,209
Fund Balance - Beginning of year	16,289	16,289	16,289	-
Fund Balance - End of year	<u>\$ 85,139</u>	<u>\$ 3,139</u>	<u>\$ 9,348</u>	<u>\$ 6,209</u>